



# Alaska REAL ESTATE BY DAVE WINDSOR

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## HOME INSPECTIONS IN PERSPECTIVE

When I entered the real estate industry in 1990 the Home Inspection was a relatively new idea. The principle of “Caveat Emptor” or “Let the Buyer Beware” had been the way of things prior to that.

When you purchased a home in the 50’s, 60’s and 70’s you looked at the property and took your chances. If there was a drainage problem, you worked it out. If a window was stuck, you fixed it yourself etc. Buyers were, in effect, much more trusting (and sellers were more to be trusted). Homeowners were more philosophical about life’s daily round and took care of problems as they arose.

Now the good old days are gone and the old real estate agreement has gone too. What used to be one page expressing an agreement (or even just a handshake) has expanded to a minimum 10 pages and as many as 15.

This is not bad news. The Home

Inspection procedure now in place, even though still optional for a buyer, takes a lot of tension and potential lawsuits out of a transaction. Buyer makes offer, offer is negotiated, buyer performs home inspection, repairs are negotiated, repairs are completed, appraiser reviews property and establishes value, lender underwrites financing, transaction closes – Bingo!

### Unfortunately, there are lots of things that can still go wrong:-

1. Home Inspector makes error.
2. Home Inspector is nit-picky.
3. Buyer wants seller to fix everything to make home new.
4. Seller is unreasonable about essential repairs.
5. Repairs are not done by licensed or skilled contractor.
6. Appraiser wants more repairs than Buyer cared to worry about.
7. When re-inspections become necessary, who pays for them?

**Navigating the Channel:** A real estate transaction can be ‘smooth sailing’, but sometimes more like shooting the rapids. I honestly believe that this is where your Real Estate Professional starts to earn his keep. Managing the white water in what should be a smooth flowing river requires tact, knowledge and skill. It means the difference between overturning the transaction or safely reaching your destination.

**Home Inspectors**, who are permitted only by agreement between buyer and seller to enter a property, should always be ASHI (American Society of Home Inspectors) certified. This at least guarantees a certain level of competence.

It is also good to know that, from 2006, Home Inspectors must now be licensed in the State of Alaska just like your Realtor. This means license, bond and access for the public to a complaint and compensation system when the Home In-

spector causes damages. Prior to this recent legislation, Home Inspection agreements limited liability to a refund of the home inspection fee - hardly adequate when an incompetent inspector kills your sale. The new licensing provisions essentially put Home Inspectors under Statutory control and supervision.

**Homebuyers:** When buying a piece of real estate with a structure on it, a buyer should ALWAYS have an independent Home Inspection. No matter how savvy you may be about electrics or plumbing or construction, the independent inspector will issue a report in writing which carries legal and moral weight if repairs are needed.

**Good for Sellers Too:** A Home-seller should have no objection to his home being professionally reviewed. Not only does the seller want a clear conscience, particularly over health and safety issues, but he also wants release of liability.

In this litigious age it is so easy to get sued later by a disgruntled buyer. This risk is enhanced by the Property Disclosure Statutes (AS 34.70) in Alaska which require several pages of specific answers to direct questions, and can cost you 'Triple Damages' if you fail to mention something as a seller. Sellers should always encourage a Home Inspection for this reason alone. You want the Buyer to know exactly what he is purchasing. Then, at closing, when he certifies that all the terms of the agreement have been

met, you will sleep much better at night.

**Types of Repairs:** Most inspectors provide a large report body with details of each sub-category of the inspection. In addition, and most importantly, they typically provide an 'Inspection Summary', essentially listing the defects that require attention. It is helpful, and common practice, for the defects to be subdivided into 'Health and Safety' matters and 'Other Deficiencies'.

There is little point in sellers fighting Health and Safety hazards. Even if the Buyer is willing to overlook some of these repairs, the Bank will not. Unless you can prevent the Appraiser from obtaining your Home Inspection Report (which is possible) you may as well agree to fixing all Health and Safety items - and why not? No property should be conveyed with such dangers unless the buyer is totally conscious of the problems and plans to fix them himself.

**Other Deficiencies:** This is where the trouble starts. All used properties have deficiencies. If a buyer wants a new home, the buyer should buy new construction. Homebuyers must understand that a pre-owned home will have deficiencies, and that it is unreasonable to expect the seller to correct every single one.

A spirit of common sense can usually work out, through negotiation, whether, given the price agreed for the home, certain repairs are reasonable. A broken thermoseal in a

window is unsightly but impacts the insulation value very little. A dirty fireplace is not clean, by definition. While many home-sellers will agree to have the creosote build-up removed, it is arguable whether it is a reasonable request. Downspouts may, or may not, extend 3 feet away from the foundation, but how much bitterness do you want to generate over it when the crawlspace is completely dry?

In the matter of 'Other Deficiencies', be reasonable. Some inspectors include a third category of 'Recommended Upgrades' and now we're in the twilight zone! It's not wrong for an inspector to recommend upgrades, but it is really pushing the envelope when a buyer wants the seller to 'upgrade' aspects of the property presented as 'pre-owned' and built some 10 or 20 years ago.

Home Inspections are fair for everyone, so long as you keep the right perspective.

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